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SUBJECT: CAFTA-DR EARLY SUCCESS STORIES: SERVICES & MANUFACTURING

REF: A. SAN SALVADOR 1779 B. SAN SALVADOR 1484

Summary

¶1. CAFTA-DR has shown very positive results in El Salvador during its first year of implementation. In the services sector, an innovative, USAID-supported health firm has started exporting medical services. Software and logistics firms have also expanded, with new investments generating 645 jobs. Similarly, firms in the manufacturing sector have seen a significant boost in exports and received more than \$58 million in new investments, creating more than 3,300 new jobs. Reftel A reported successes in the textile sector and septel will describe increases in handicrafts and food and beverage sectors. End Summary.

HEALTH & MEDICAL SERVICES

¶2. El Salvador is now exporting medical services through the Export Chamber of Medical Services, EXPORTSALUD, which includes over 200 doctors and dentists. Through EXPORTSALUD, a patient is able to contact a medical professional in El Salvador from the U.S. by telephone or the Internet.

¶3. EXPORTSALUD's important target market is Salvadorans living abroad, but they also want to reach the U.S. and Canadian market. Similar to Costa Rica, they plan to target "baby boomers," who may not have enough money to cover their medical expenditures and are looking abroad for treatment.

¶4. EXPORTSALUD established strategic business alliances with airlines and local hotels to facilitate tourism packages in conjunction with medical visits. It also established an alliance with the international bank HSBC, which recently acquired Banco Salvadoreno, to provide financing up to \$5,000 for Salvadoran residents in the United States who require medical services.

¶5. USAID supported EXPORTSALUD with \$65,000 for training in marketing, business plans, and website development. Their website address is www.exportsalud.org.

SOFTWARE

¶6. U.S. software developer Enterprise Database Corp (U.S.) invested \$600,000, creating 25 direct and 50 indirect jobs. A French software developer, Central American Software Services, invested \$250,000, creating 30 direct and 60 indirect jobs.

LOGISTICS AND TRANSPORTATION SERVICES

¶ 7. U.S. firm Crowley Logistics invested \$300,000 thousand in a "Business Processing Office" for outsourcing administrative services. They created 60 direct jobs and 120 indirect jobs. DHL/Cormar expanded its local operations, investing in a distribution center and creating 100 direct and 200 indirect jobs. Aviotechnology plans to offer aeronautical component repair services to foreign markets.

MANUFACTURING

¶ 8. Arnecom, a Mexican-Japanese automobile wiring harnesses firm, has invested \$15 million and generated 650 direct jobs since 2006. They supply Chrysler, Ford, Nissan, Isuzu, Mazda, Mitsubishi, Subaru, and Toyota assembly plants in Mexico and the U.S. During the first year of CAFTA-DR, Arnecom exported around \$4.7 million to the U.S. (reftel B). The firm plans to triple its industrial floor in the western city of Santa Ana and hire around 3,000 additional persons, mostly women, within two and a half years.

¶ 9. Local towel producer Hilasal currently exports 30% of its production to the U.S. and credits CAFTA-DR with helping compensate for increased Chinese competition. During the first year of CAFTA-DR, towel exports to the U.S., mainly from Hilasal, grew by 36% to \$9.6 million (reftel B).

¶ 10. Pharmaceutical company Laboratorios VIJOSA will start exporting to the U.S. by October 2007. Currently, they export 35% of production, but by entering the U.S. market they project to increase exports by at least 40% during 2008.

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¶ 11. Exports from balsam producer J. Raul Rivera increased by 55% during 2006. Company vice president Jose Rivera stated that CAFTA-DR has improved the commercialization of their product, and they expect to increase exports to the U.S. by 15% during 2007.

¶ 12. Torogoz, which produces copper, bronze, nickel, silver and gold-plated sculptures and decorating products, expects to achieve 40% export growth during 2007. Recently, the company won Salvadoran Exporters Corporation's (COEXPORT) "Exporting Innovation" prize. According to design manager, Maria Eugenia de Panameno, they have created a line of decorating tiles specifically for the U.S. market.

¶ 13. Consorcio Internacional, a division of Procesadora de Acero El Salvador (PROACES), is exporting 15% of its total exports to the U.S. They export cold steel flat laminated sheets and plan to expand sales by 5 percent in 2008, generating 100 new jobs.

¶ 14. A Brazilian shoe producer invested \$2 million in November 2006, creating 200 direct and 400 indirect jobs.

¶ 15. AVX Corporation, a U.S. and Japanese electronic components manufacturing company, invested an additional \$40 million, creating 600 direct and 1,200 indirect jobs.

¶ 16. UNIVERSAL, a joint U.S.-Costa Rican Motorola repair center, invested \$1.6 million in August 2006, creating 140 direct and 280 indirect jobs. It repairs around 1,500 phones per week. According to the National Investment Promotion Agency, PROESA, they plan to establish a phone assembling plant in El Salvador. They were previously located in Panama but said that efficiency is higher in El Salvador.

COMMENT

¶ 17. Clearly, CAFTA-DR, along with a stable government, sustainable economic policies and an aggressive investment campaign by the GOES have stimulated investment, job creation and export opportunities in El Salvador. Notably, the investors are not just U.S. and

Salvadoran companies, but also investors from Brazil, Costa Rica, France, Japan, Mexico and elsewhere. Septel will provide examples of business expansions and jobs creation in the handicrafts and food and beverage sectors.

Butler